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SECURITY INFORMATION

29 October 1952

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**TOP SECRET SUPPLEMENT**

**TO THE CURRENT INTELLIGENCE DIGEST**

(including S/S Cables)

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA and DOS Reviews Completed

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Ambiguity and caution mark attempt to establish full Iranian-West German diplomatic relations: The US High Commissioner in Bonn reports that although the Iranian Government has announced its de facto recognition of the Federal Republic of Germany and the Iranian representative, Esfandiary, has presented his credentials, the formal establishment of diplomatic missions at Bonn and Tehran has not yet taken place. The Iranian Embassy is reportedly unable to move from Stuttgart to Bonn for financial reasons. On the other hand, while permission has been granted the German Federal Republic to establish an embassy at Tehran, no official German action has yet been undertaken. (S S/S Bonn 1885, 24 Oct 52)

Comment: The formal establishment of diplomatic relations between Iran and the Federal Republic of Germany has been delayed primarily by the reluctance of the Iranian Government to take action that might antagonize the USSR or open itself to Soviet counter-demands that Iran recognize the Soviet-sponsored German Democratic Republic. The next move, however, is up to the Federal Republic of Germany.

NEAR EAST - AFRICA

2. General Nagib suspects British economic pressure against Egypt: General Nagib believes that Great Britain is putting economic pressure on his government by withholding purchases of Egyptian cotton. In presenting this problem, Nagib told Ambassador Caffery that he is disturbed by Egypt's increasingly serious economic situation.

The Egyptian Finance Minister, according to Ambassador Caffery, has protested to the British Embassy against the

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SECURITY INFORMATION

alleged refusal to permit cotton purchases by British mills.  
(S S/S Cairo 1051, 27 Oct 52)

Comment: The drop in the British demand for Egyptian cotton is probably due to the depression in the textile industry and to Egyptian prices which are higher than the world market.

3. Tunisians not greatly encouraged by US vote in Political Committee: According to the American Consul General in Tunis, there is no evidence to support the French contention that the US vote to place the Tunisian question second on the agenda of the UN General Assembly's Political Committee had "greatly encouraged" Tunisian nationalists. Although the adverse reaction of the French press undoubtedly is gratifying to the nationalists, the Consul General doubts that the Neo-Destour leaders are building false hopes on the vote. (S S/Tunis 149, 27 Oct 52)

Comment: A spokesman in the French Foreign Ministry on 24 October told the American Ambassador that France had been placed in a very difficult situation in Tunisia by the US vote. He stated that the nationalists were greatly encouraged by it, and that the threat to public order had been increased to such an extent that martial law was being tightened and reinforcements to maintain order might be required.

EASTERN EUROPE

4. Yugoslav official describes Bulgarian political situation as unstable: Yugoslav Minister of Interior Rankovic has stated that the Bulgarian political situation is so unstable that authorities have armed reliable party members to check any possible uprisings,

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Comment: The distribution of arms to some politically reliable Bulgarian civilians has been reported by a number of sources over a period of years. There is no evidence to indicate that this program has been intensified, or that the stability of the Bulgarian regime has recently deteriorated.

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SECURITY INFORMATION

Although overt incidents have been negligible since the spring of 1951, Bulgarian peasants have continued passive resistance to government decrees, and undercurrents of resentment and anti-Sovietism still exist. This discontent has been reflected in the Bulgarian party's concern regarding the failures of Communist indoctrination programs, particularly among young people, in the renewed emphasis given to the importance of "mass" activities of the Fatherland Front, and in efforts of the party to pacify and win the cooperation of private farmers previously subject to discrimination.

WESTERN EUROPE

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CURRENT INTELLIGENCE DIGEST

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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Egyptian Government now showing little interest in West German-Israeli arrangements: According to the new German Ambassador at Cairo, Egyptian authorities are displaying little interest in the West German-Israeli restitution settlement issue. The subject was not mentioned in an interview with the Egyptian Prime Minister, although the Minister of Foreign Affairs raised it in a later talk. The press is showing little interest in the subject. (S Cairo 1040, 25 Oct 52)

Comment: Lessened Egyptian interest in the restitution problem augurs well for future West German-Egyptian relations. The Arab states have been generally critical of current West German foreign policy toward the Middle East. West German-Arab relations were exacerbated last September by the signing of the West German-Israeli restitution agreement providing for the Israeli Government to receive \$822,000,000 in compensation for excesses committed against Jews by the Nazis. The agreement was vehemently denounced by the Arab states.

2. Hungary signs trade pacts with the Netherlands and Indonesia: The Hungarian-Netherlands trade pact for the year beginning 1 October was signed at Budapest on 18 October. The value of the trade lists fell considerably below that of last year. The Hungarians last week also concluded their first trade pact with Indonesia, according to the American Legation in Budapest. (R Budapest L-2973, 25 Oct 52)

Comment: The new Hungarian-Dutch agreement calls for an exchange both ways of commodities worth 20 million Dutch florins, compared with an estimated 50 million florins last year. Dutch export quotas include seeds, flax, and textile fibers, while the Hungarians are to export agricultural products and machines. The pact apparently does not provide for

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the export of Hungarian grain, although last year's list called for the delivery of 19,600 tons. Hungary may have refused grain deliveries because of the deficient harvest or prior commitments, or possibly in order to use the grain later on to barter for strategic materials.

The Indonesian-Hungarian agreement signed 16 October in Djakarta for the first time bypasses the previous trilateral clearing arrangements through Indonesian-Dutch accounts. It calls for the exchange of goods worth 22 million Dutch florins, as against 19 million each way last year, and provides that Indonesia will export unspecified quantities of tin, rubber, and non-strategic materials in exchange for industrial products, farm equipment and wheat flour. Provision is made for the settlement of deficits in freely convertible Swiss francs.

SOVIET UNION

3. Completion of Volga-Akhtuba canal announced: Pravda has announced the completion on 20 October of the 6-kilometer Volga-Akhtuba Canal, which it described as being necessary before basic installations of the Stalingrad hydroelectric project can be started. (S Moscow Weeka 43, 25 Oct 52)

Comment: According to a Moscow broadcast, the Volga-Akhtuba Canal, which is part of the Stalingrad hydroplant system, was completed two and one half months earlier than planned. Construction began in January 1952. A launch of the Stalingrad hydroelectric construction organization reportedly has passed through the canal.

4. USSR points to Catholic "peace" activities in Communist China: A Soviet broadcast to Austria, attempting to prove that Western reports on religion in Communist China are "anything but objective," pointed to Catholic participation in "peace" activities in China to support the claim that there is now greater religious freedom than there was under the Nationalists. (R FBIS Moscow, 24 Oct 52)

Comment: Soviet sponsorship of this line, which follows the pattern of exploiting Catholic "peace priests" in the East European Satellites, is reflected in a recent report that Peiping is now restoring Catholic churches and making other concessions to Catholic orders.

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EASTERN EUROPE

5. Albanian delegation to 19th Party Congress returns from USSR: The Albanian delegation to the 19th Party Congress of the USSR, headed by Enver Hoxha, returned to Albania on 27 October. (R FBIS Ticker Tirana, 27 Oct 52)

Comment: Polish, Hungarian and Rumanian delegations to the Soviet Party Congress which closed 14 October returned to their homelands on 16 October, while the Bulgarian and Czechoslovak delegations returned on 19 October. The two weeks which elapsed between the termination of the congress and the Albanian delegation's return may indicate that it remained in Moscow to discuss such problems as unrest in Albania, Yugoslav subversive activities, and/or the implementation of Albania's Five-Year Plan.

6. Youth organization assists Bulgarian frontier troops: According to a Bulgarian Home Service broadcast, an officer of the Bulgarian border guards greeted a meeting of the Dimitrov Pioneer organization on 19 October, and stated that border guards and Pioneers will collaborate in defending Bulgaria's frontiers. A banner was awarded to one Pioneer who had "assisted in capturing Titoite diversionists." (R FBIS Sofia, 24 Oct 52)

Comment: The Dimitrov Pioneers (Septemvriche) are members of the children's division of Bulgaria's primary youth organization, the Dimitrov Union of People's Youth. Liaison between the Bulgarian youth organizations and the frontier troops has been extremely close for several years, and there is evidence that children have been of considerable help in reporting suspected border-crossers to the border authorities.

7. Czechoslovakia admits underfulfillment of industrial production plan in third quarter: The Czech State Statistical Office reports that only 99 percent of industrial production plans were fulfilled in the third quarter of 1952, and that in many enterprises the goals were accomplished only by overfulfilling less important tasks at the expense of the production of essential goods.

The poorest record was made by the Ministry of Foundries and Ore Mines, which failed to meet the quota by nine percent.

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The Ministries of General Engineering, Chemical Industry and Food Industry also failed to reach plan goals. Underproduction of coal, pig iron, raw steel and rolled products was criticized. (R FBIS Prague, 25 Oct 52)

Comment: Although the over-all production figures are slightly higher than those published for the first half of the year, the Ministry of Foundries and Ore Mines again failed to reach the goals set for it. The consistent under-production of basic industrial goods is particularly serious since it is reflected in production failures of capital equipment not only for Czech industry but for the entire Orbit.

The French News Service quotes the Czech Communist Party newspaper as predicting disciplinary action against Jan Bilek, Minister of Foundries and Ore Mines. This follows rumors last July of the arrest and suicide of Bilek's deputy and may mark the beginning of a purge similar to that in the mining industry in Hungary last summer.

8. Top flight Hungarian delegation visits East Germany: A top flight Hungarian delegation consisting of Premier Rakosi, Minister of State Gero and Foreign Minister Kiss, accompanied by the East German Minister to Budapest, arrived in Berlin at the invitation of the East German government. In his speech on arrival, Rakosi referred to the establishment of a "united, free, independent and democratic Germany" and recalled that Hungary had signed pacts providing for economic, cultural and technical cooperation with East Germany in 1950. (C Budapest 370, 27 Oct; R FBIS Ticker Berlin, 27 Oct 52)

Comment: The arrival of a Hungarian foreign trade mission on the preceding day suggests that an economic pact may be in the making between Hungary and East Germany, possibly comparable to that signed by an almost equally imposing Rumanian delegation in Berlin on 12 September. This agreement provided among other economic clauses for the creation of an East German-Rumanian joint chemical company. A Rumanian-Hungarian joint chemical company was formed earlier this summer.

Although the conclusion of a mutual assistance pact is not excluded, it is not likely before the ratification of EDC.

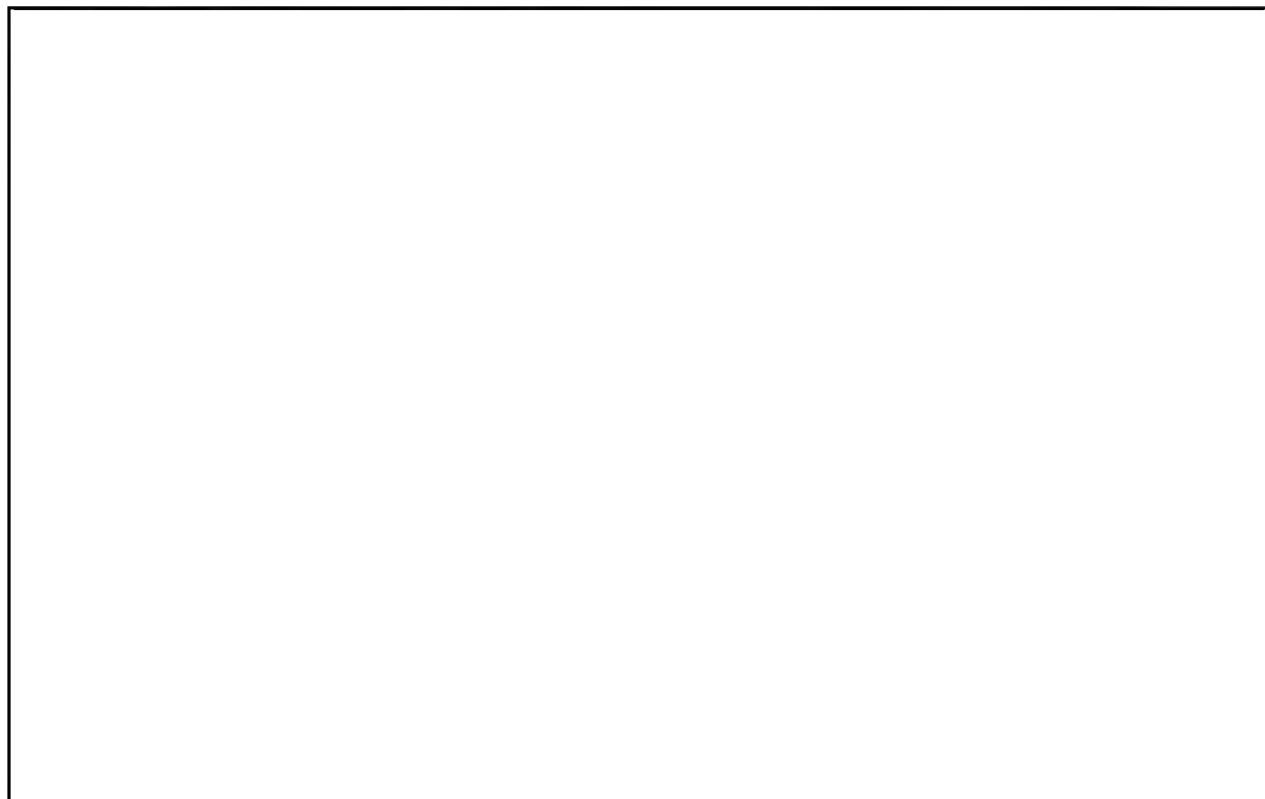
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FAR EAST

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10. Peiping calls for continuation of Korean talks but offers no compromise: The Chinese Communist Party People's Daily, commenting on the second anniversary of the Chinese intervention in Korea, stated that the Chinese will "insist" on continuing the truce talks. The editorial nevertheless reaffirmed the Communist demand for repatriation of all prisoners. (R FBIS Peiping, 27 Oct 52)

Comment: Although Soviet officials during October have hinted privately that the Communists are moving toward the UN position on POW's, Communist propaganda remains adamant on the POW issue.

11. Rice Crop on Chinese mainland believed larger than in 1951: The Hong Kong Consulate General has tentatively estimated the 1952 rice crop in China at 47,200,000 metric tons,

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five percent larger than in 1951 but still four percent below the average annual crop from 1931 to 1937. (U Hong Kong 1060, 27 Oct 52)

Comment: The collection of agricultural taxes in kind and government control of most rice marketing have enabled Peiping to accumulate large stocks of food. As a result the regime has been able to keep urban areas supplied with food, meet military requirements, and still have rice available for export. Rice export commitments in 1952, all to South Asia, total 230,000 tons, and even more may be made available to rice-deficit non-Communist countries in 1953.

12. Chiang Kai-shek prefers to limit troop use to China mainland: Chiang Kai-shek recently told American Minister Rankin in Taipei that Chinese Nationalist forces could play a "decisive part" in defending Southeast Asia by landing on the Chinese mainland. He also felt that such an operation would greatly reduce Communist chances for a successful attack on Formosa.

The Generalissimo saw "no purpose" in sending Nationalist troops to Indochina. He said that their use in Korea, while providing valuable training and encouraging the surrender of Chinese Communists, could not contribute decisively to events there.

Rankin comments that Chiang, who did not renew his offer of Nationalist troops for Korea, might agree to provide two divisions if they were fully equipped by the UN Command upon arrival in Korea. (S Taipei 436, 27 Oct 52)

13. Nationalist leader bids for premier's position: Chang Chun, senior advisor to President Chiang Kai-shek, is making a bid to become the premier of Nationalist China, [redacted]

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25X1C [redacted] Supporters of Chang are rumored to be soliciting the backing of Chiang Ching-kuo, elder son of the Generalissimo and leader of a powerful clique.

25X1C Chen Cheng, the present premier, is alleged [redacted] to have lost much [redacted] of his power in the Kuomintang. Chiang Kai-shek reportedly treated Chen in a formal and aloof manner during the congress. [redacted]

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Comment: Chen's power has reportedly been waning due to ill health and to friction created by Chiang Ching-kuo's struggle for additional power. Chang Chun is highly regarded by the Generalissimo and would be a strong candidate for the premiership if Chiang Ching-kuo's support were forthcoming.

SOUTHEAST ASIA

14. French proposal on repatriation of Nationalists to Formosa rejected: The Chinese Nationalist Government has rejected the French proposal that the first contingent of Chinese to be repatriated to Formosa from Indochina consist of women, children and others unfit for military service, according to the French Foreign Ministry. Taipei has countered with a proposal that at least 2,700 able-bodied men be included in the initial group of 5,000.

In the French view this would vitiate the purely "humanitarian" basis upon which they believe the project should be undertaken, and might thereby incur such strong objections from Peiping that France might be obliged to delay further repatriation. (S Paris 2596, 27 Oct 52)

Comment: The internees number about 30,000, of which two thirds are troops, some of them now unfit for military service. The problem of repatriating these internees has been an irritant in French-Chinese relations since the group arrived in Indochina in 1949-50.

15. French forces in northwestern Tonkin may become isolated: The US Army Attaché in Saigon comments that, although the area northwest of the Tonkin delta has little strategic importance, the loss of the French airstrip near Son La would isolate friendly forces in the vicinity, since airlifts are the only means of transport between the northwest and the delta. (S Saigon Joint Weeka 43, 26 Oct 52)

Comment: Elements of three Viet Minh divisions, together with regional troops, are now on the north bank of the Black River in a position to threaten the Son La sector south of the river. The French have flown several thousand troops to this area to reinforce elements withdrawing from the north and are apparently grouping their forces for a defensive stand.

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16. Rebel leader reported to have led mixed force into Burma: The American Embassy in Rangoon has been told by an informant with "leftist contacts" that Naw Seng, the Kachin rebel leader, has re-entered northern Burma with 1,600 Chinese, Burman and Kachin troops. According to the same informant, the Burmese Defense Minister visited the threatened area in order to determine the best means of dealing with the "crisis." (C Rangoon 692, 27 Oct 52)

Comment: There is considerable evidence that the Chinese Communists have been developing a force for eventual use in Burma under Naw Seng, who has spent the last two and a half years in China.

Although there is no confirmation of Naw Seng's re-entry into Burma, government authorities have shown renewed concern over the Sino-Burmese border area.

SOUTH ASIA

17. Ceylonese Government will ratify trade agreement with China: The Ceylonese Prime Minister told the American Ambassador in Colombo on 27 October that his government had no alternative but to ratify the five-year rice-rubber trade agreement with Communist China. He stated that he was not happy over the situation and that he would continue his fight against Communism. The terms of the agreement were so favorable, however, that Ceylon could not afford to relinquish the opportunity to assure itself an adequate rice supply, a favorable price for rubber, and amelioration of its balance of payments position. (S Colombo 203, 27 Oct 52)

NEAR EAST - AFRICA

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18. Mau Mau oath-taking occurring in Tanganyika:   Mau Mau oath-taking has occurred in the Northern Province of Tanganyika, and several members of the Kenya African Union organization, headed by the interned Jomo Kenyatta, have recently visited members of the Kikuyu tribe living in this area to establish branches of the Union. (S Nairobi Desp 62, 25 Sept 52)
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Comment: No violence has yet been caused by the Mau Mau in Tanganyika, but their presence makes possible an expansion of terrorist activity into this territory.

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WESTERN EUROPE

19. East German military leaders promoted: The official East German news agency, ADN, in a broadcast describing the officials present at the Berlin reception of Hungarian Premier Rakosi, listed Heinz Hoffmann, Waldemar Werner, Rudolf Doelling, and Berndt Weinberger as deputies of Interior Minister Willi Stoph. Karl Maron was listed as deputy of the Minister of State Security and chief of the Border Police, and Waldemar Schmidt was listed as chief of the civil police (HVDVP). It was stated that Lieutenant General Vincenz Mueller is Stoph's first deputy.

A West German news service states that the list of officials welcoming Rakosi as published by ADN includes Heinz Kessler, and refers to Hoffmann, Werner, and Kessler as chiefs of the East German Army, Navy, and Air Force respectively, and to Doelling as Political Commissar. Mueller is described as Stoph's first deputy and acting chief of staff. (R FBIS Berlin, Frankfurt, 27 Oct 52)

Comment: This is the first report that the chiefs of the East German paramilitary organizations have been appointed deputies to Stoph, who is forming a covert defense ministry within the Ministry of Interior. Maron was formerly chief of the HVDVP and Schmidt was previously chief of the East Berlin police. In his new position, Doelling may be in charge of political indoctrination of all of the armed forces.

If the list reportedly published by ADN actually used the terms army, navy, and air force, it marks the first official notice of these organs which have hitherto been carefully referred to as police organizations.

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21. Austrian coalition returns as cabinet crisis ends: The American-licensed radio in Vienna has announced that the entire Austrian Cabinet was formally reinstated by President Koerner on 28 October, just one week after it had resigned in a dispute over the 1953 budget. The return of the coalition government follows a reported agreement between party leaders that an extension of the first half of the 1952 budget into 1953 would permit the government to operate until elections could be held on 1 March. (R FBIS Vienna, 28 Oct 52; S Vienna 1160, 27 Oct 52)

Comment: The reported compromise thus postpones a solution of basic policy differences until after the parliamentary elections which have now been advanced nearly two months. The apparent insistence of both parties on a solution to the current crisis which would not involve the appearance of defeat for either suggests that coalition leaders remain well aware that the maintenance of the coalition depends largely on the coalition parties maintaining approximately the same relative strengths as at present.

22. Violent propaganda attack anticipated in Austria if exchange deal vetoed: The American Embassy in Vienna anticipates "violent propaganda" from Austrian advocates of expanded East-West trade unless the United States approves a complicated four-way trade deal involving Austria, West Germany, and the Netherlands under terms of which the Soviet Union is to receive \$2,750,000 worth of List II compressors. Embassy officials point out that the owner of the Austrian firm involved in the exchange is the leading industrial member of Professor Josef Dobretsberger's Committee for the Promotion of East-West Trade and that failure to meet the export deadline will make the firm liable for the payment of damages. (S Vienna 1161, 27 Oct 52)

Comment: The arrangement calls for Austrian-produced compressors to be shipped to West Germany in return for various goods; the Germans would then export German-produced compressors to the Soviet Union in exchange for fodder grains. Guarantees and financing arrangements would be handled by the Netherlands.

The exchange, which was originally negotiated by the Austrians at the Moscow Economic Conference, is considered highly important

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to the economy of Austria because of its employment problem and its clearing debt to West Germany. While US failure to sanction the deal would likely be heavily exploited by Dobretsberger's Committee, completion of the deal would open the way for Austrian Orbit-trade advocates to claim great potentialities for the expansion of such trade.

23. President Auriol's speech considered to reflect opinion of average Frenchman: The American Embassy in Paris comments that the theme of President Auriol's 25 October speech reflected "what is uppermost in the average non-Communist Frenchman's mind." The Embassy points out that the speech is the latest development in a series of major French moves inimical to American foreign policy. (C Paris 2593, 27 Oct 52)

Comment: France's conviction that its role in world affairs is generally misunderstood and undervalued, as emphasized by Auriol, underlies its current tendency to lay the major blame on the United States. Fundamentally, however, French sensitivity on such issues as Tunisia arises from a growing sense of insecurity in the face of West Germany's revival.

24. COCOM opposes Italo-Czech deal for tungsten processing: At the 21 October COCOM meeting, all the delegates except the Italian and German objected to a proposed Italo-Czech compensation deal whereby Italy would process 300 tons of tungsten ore for Czechoslovakia in return for the by-products, a small amount of the ferro-tungsten, and about \$200,000 worth of coal. It was objected that the balance of advantage was seriously unfavorable to the West, that the amount involved was too large, representing "several months" consumption for Czechoslovakia, and that in any event the proposed arrangement was not important because coal stocks in Italy are good.

The Italian delegate argued that the proposed transaction would help combat unemployment and that there would be a strong reaction in Italy if the government turned down a contract furnishing raw materials for Italy. (S Paris 2468, 22 Oct 52)

Comment: There is no indication as to whether the Italian Government will bow to COCOM opposition on this matter. In the past the Italians have sought to carry out at least a part of such agreements despite COCOM objections as in the case of the ball bearings-coal barter negotiated with Czechoslovakia last November.

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25. Separate Nenni Socialist ticket in Italian elections held distinct possibility: The American Embassy in Rome believes that the Nenni Socialists, by mutual agreement with the Communists, may run independently in the 1953 national elections. The main objective would be to prevent the coalition of democratic parties from winning the absolute majority required to give them a "premium" of seats in the Chamber of Deputies.

A separate Nenni Socialist ticket, in addition to quieting dissidents within the party, might offer a strong appeal to the Italian Workers Movement headed by ex-Communists Cucchi and Magnani and to the left wing of the Democratic Socialists. (S Rome 1905, 27 Oct 52)

Comment: Such a tactic by the Nenni Socialists would enhance Communist capabilities for achieving a broad popular front in conformity with Stalin's recent orders and for popularizing the forthcoming Vienna People's Peace Congress.

Under the terms of the electoral law now up for parliamentary approval, the group of parties winning more than 50.1 percent of the popular vote would be given a "premium" of seats in the Chamber to ensure its control in that house.

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LATIN AMERICA

27. Executive Secretariat of Argentine labor confederation resigns: The Executive Secretariat of the Argentine General Confederation of Labor (CGT) has announced that all of its members have submitted their irrevocable resignations and that the CGT Central Committee will meet this week to elect new officers. (C Buenos Aires 318, 27 Oct 52)

Comment: The CGT Executive Secretariat's resignation is an ostensible gesture of solidarity with ex-Secretary General Espejo, who resigned on 22 October. Espejo has lost favor both with the workers and Peron, who may use him as a scapegoat for labor's criticism of unpopular corrective measures taken to alleviate the economic crisis.

Since the CGT is the most powerful political organization in Argentina, the makeup of the new 14-man secretariat will be of considerable significance.

28. Brazilian labor committee formed with Argentine support: Five union presidents backed by the Argentine Labor Attaché have recently established an "Inter-Syndical Committee for New People" in Brazil. The Argentine Government is reportedly supplying about \$6,000 to finance the Committee with the aim of replacing top labor leaders who favor ICFTU affiliation with pro-Argentine people who will support the Argentine-sponsored Latin American Committee of Syndical Unity. (C Rio de Janeiro Joint Weeks 43, 27 Oct 52)

Comment: This is the first indication that Argentina has gained influence in the Brazilian labor movement. Further Argentine efforts may benefit, at least temporarily, from the real desire of the rank and file of organized labor in Brazil to use the greater independence they have gained in the past year to elect new people to replace administration-sponsored incumbents.

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